

PUBLIC DISCLOSURE

MARCH 18, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE SAVINGS BANK

90291

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Division of Banks

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NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Federal Deposit Insurance Corporation (“FDIC”) and the Massachusetts Division of Banks (“Division”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **THE SAVINGS BANK (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **March 18, 2013**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution’s branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

INSTITUTION'S CRA RATING

This institution is rated “Satisfactory” by the FDIC and the Division.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS The Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Satisfactory**	X	X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term “satisfactory” will be used in lieu of the “low satisfactory” rating for the lending, investment, and service test ratings.

LENDING TEST

The Bank's Lending Test performance is rated "Satisfactory."

- Overall, the Bank's home mortgage and small business lending activity reflects adequate responsiveness to assessment area credit needs considering the size of the institution, its loan portfolio composition, and the significant level of competition within the assessment area.
- An adequate percentage of home mortgage and small business loans were originated within the assessment area.
- The geographic distribution of the Bank's home mortgage and small business loans reflects adequate dispersion throughout the assessment area, especially in low- and moderate-income geographies, when compared to assessment area's demographics and aggregate lending performance.
- Overall, the borrower distribution of the Bank's loans is satisfactory. The distribution of loans reflects adequate penetration among borrowers of different income levels and businesses of different sizes.
- The Bank's responsiveness to the credit needs of the assessment area is considered adequate.
- The Bank made an adequate level of community development loans within its assessment area or the broader regional area given its asset size and financial resources.
- The Bank uses innovative and flexible lending programs to meet the credit needs of low- and moderate-income borrowers, first-time homebuyers, and small businesses.

INVESTMENT TEST

The institution's Investment Test performance is rated "Satisfactory."

- The Bank made an adequate level of qualified investments to respond to the assessment area's community development needs, although it rarely uses innovative or complex initiatives. The Bank has an existing investment of \$500,000 in a CRA mutual fund, which is primarily targeted to increasing the availability of affordable housing in Massachusetts. The Bank also made qualified charitable donations to help address a variety of community development needs within the assessment area and other communities within northeast Massachusetts. The Bank made a portion of its community development donations through the TSB Charitable Foundation and the Donald E. Garrant Foundation, Inc.

SERVICE TEST

The institution's Service Test performance is rated "High Satisfactory."

- The Bank's delivery systems are accessible to all portions of the assessment area.

- To the extent that changes have been made, the Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate- income geographies and or to low- and moderate- income individuals.
- Overall, the Bank's services and business hours do not vary in a way that would inconvenience any portion of the assessment area.
- The institution provided a relatively high level of community development services. Bank management and employees developed and participated in educational seminars targeted toward low- and moderate-income borrowers and first-time homebuyers. Bank officers and staff members provided their financial expertise to help address community needs through their involvement in various community organizations.

PERFORMANCE CONTEXT

Description of Institution

The Savings Bank is a Massachusetts state-chartered, mutual savings bank headquartered at 357 Main Street in Wakefield, Massachusetts. The Savings Bank operates eight full-service branches throughout the Cambridge-Newton-Framingham MA Metropolitan Division (MD) and Essex County MA MD. Three branch offices are located in Wakefield; two in Lynnfield; and one each in Andover, Methuen, and North Reading, Massachusetts. Four offices are located in middle-income census tracts and four in upper-income census tracts. All banking offices are equipped with Automated Teller Machines (ATMs). In addition to these full-service locations, the Bank also operates three standalone 24-hour ATMs in Wakefield and a limited-service branch at Wakefield High School. The Bank is also a member of the SUM Program.

First Financial Trust, NA, and TSB Insurance are wholly-owned subsidiaries of the Bank. TSB Securities Group is a division of the Bank. These subsidiaries and the securities division allow The Savings Bank to provide enhanced financial services in asset management, insurance, and investment products to its customer base.

The Bank is a full-service financial institution that offers a wide variety of products and services. Savings and checking accounts offered by the Bank include statement savings, holiday club, free checking, and interest checking accounts. Home financing programs include adjustable- and fixed-rate options for the purchase, refinance, improvement and construction of residential property, and home equity loans. The Bank offers a First Time Home Buyers Program, which provides financing through MassHousing. Other services offered by the Bank include online banking and bill payment, 24-hour ATM banking, and mobile banking services. The Bank offers a variety of business banking services. Some of the services offered are: business checking accounts, online banking and cash management, remote deposit capture, lines of credit, term loans, commercial real estate mortgages, SBA loans, and merchant credit card services.

As of December 31, 2012, the Bank's total assets were \$457.2 million. Net loans (total loans less the allowance for loan and lease losses) totaled \$293.0 million representing 64.1 percent of total assets. Since March 31, 2009, assets increased approximately \$58.8 million, or 14.8 percent, while net loans increased by 29.6 percent, and deposits increased by 15.5 percent. Table 1 illustrates the current distribution of the Bank's loan portfolio.

As depicted in Table 1, the Bank's loans are heavily concentrated in residential real estate and commercial real estate.

Table 1 – Loan Portfolio Distribution as of December 31, 2012		
Loan Type	Dollar Amount \$(‘000s)	Percent of Total Loans
Loans Secured by Real Estate		
Construction, Land Development, and Other Land Loans	10,357	3.5
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	4,421	1.5
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	170,554	57.6
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	502	0.2
Secured by Multi-Family (5 or more) Residential Properties	23,869	8.0
Secured by Nonfarm Nonresidential Properties	73,611	24.9
Commercial and Industrial	11,751	4.0
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	671	0.2
Other Loans	263	0.1
TOTAL LOANS	295,999	100.0

The Savings Bank operates in a highly competitive market area in terms of financial services. The Bank ranked 29th out of 350 HMDA-reporting lenders, and the vast majority of lenders that ranked higher were either mortgage companies or large national or regional banks. The Bank considers its direct local competitors to be StonehamBank, Stoneham Savings Bank, East Boston Savings Bank, People’s United Bank, and Wakefield Co-operative Bank.

There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area. Based upon the Bank’s asset size, product offerings, and branch network, its ability to meet the community’s credit needs remains strong. The Bank’s CRA performance was deemed “Satisfactory” at the previous evaluation on July 20, 2009 conducted jointly by the FDIC and Division.

Description of Assessment Area

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. An assessment area should consist of whole geographies such as counties, cities, or towns. Further, an assessment area may not reflect illegal discrimination and may not arbitrarily exclude any low- or moderate-income areas, taking into account the institution’s size and financial condition.

The Savings Bank’s assessment area is composed of the cities/towns of Andover, Lynnfield, Melrose, Methuen, Middleton, North Reading, Reading, Saugus, Stoneham, Wakefield, and Wilmington. These municipalities are located in Middlesex and Essex counties and are part of the Cambridge-Newton-Framingham, Massachusetts (MA) Metropolitan Division (MD) #15764 and the Peabody, MA MD #37764. Both MDs are part of the larger consolidated Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA)/ Core Based Statistical Area #14460.

The *Geographic Distribution* section of the Lending Test evaluates the distribution of loans by census tract income level, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

There have been no changes to the assessment area since the previous evaluation. However, as a result of the release of 2010 U.S. Census data in 2012, the 2012 assessment area demographics changed from prior years. In 2011, 50 census tracts comprised the assessment area and included: 1 moderate-income census tract, 34 middle-income census tracts, and 15 upper-income census tracts. The moderate-income tract was located in Methuen. As a result of the release of the 2010 Census data, in 2012, the assessment area is now comprised of 51 census tracts of which 5 were moderate-income census tracts, 28 middle-income census tracts, and 18 upper-income census tracts. Of the five moderate-income census tracts, three are in Methuen and there is one each in Saugus and Melrose. There are no low-income census tracts within the assessment area. Table 2 contains pertinent demographic information concerning the assessment area.

Table 2 – Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	51		9.8	54.9	35.3
Population by Geography	262,983		9.2	57.6	33.2
Owner-Occupied Housing by Geography	76,218		6.5	59.2	34.3
Businesses by Geography (2011)	26,620		0.9	63.8	35.3
Businesses by Geography (2012)	25,746		6.7	57.0	36.3
Distribution of Families by Income Level	68,429	14.8	15.3	23.6	46.3
Assessment Area Median Family Income (MFI)		\$103,745	Median Housing Value		\$429,852
MD #15764 MFI, 2011		\$105,000			
MD #15764 MFI, 2012		\$106,400			
MD #37764 MFI, 2011		\$86,200	Unemployment Rate		5.9%
MD #37764 MFI, 2012		\$87,300			
Families Below Poverty Level		2.9			

Source: 2010 U.S. Census, 2011 and 2012 D&B data, 2011 and 2012 HUD Estimated Median Family Incomes

Median Family Income Levels

The analysis under the *Borrower Profile* section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined previously. The analysis utilizes income data from the 2000 and 2010 U.S. Census that has been annually adjusted by the Department of Housing and Urban Development (HUD) for inflation and other economic events. The estimated 2011 and 2012

MFI figures for the Cambridge-Newton-Framingham, MA MD and Worcester, MA MSA are listed in Table 2.

The analysis of the Bank's home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 reveals there is a much higher representation of upper-income families compared to other income categories. Low-income families have the smallest representation at 14.8 percent. Families below the poverty level, a subset of this income designation, represent 19.8 percent of this group. This data suggests lending opportunities to low-income families may be limited.

Housing Characteristics

Housing units within the assessment area total 101,901, of which 76,218 or 74.8 percent are owner-occupied; 20,726, or 20.3 percent, are occupied rental units; and 4,957, or 4.9 percent, are vacant. According to Table 2, the owner-occupied units are heavily concentrated in the middle- and upper-income tracts, with only 6.5 percent in the moderate-income tracts.

Based on The Warren Group housing data, sales prices within the assessment area experienced moderate fluctuations during the evaluation period. By municipality, the median home sales price ranged from a low of \$276,250 in Saugus to a high of \$491,475 in Andover. This range of prices is relatively high and may indicate limited opportunities for low- and moderate-income (LMI) families to own a home.

Competition

In 2011, there were 350 lenders that originated 16,875 residential mortgage loans within the assessment area. In the same year 115 lenders, including credit card companies and other financial institutions, originated 42,682 small business loans within Middlesex and Essex counties. The Savings Bank faces significant competition within the assessment area.

Economy/Employment

As indicated in Table 2, the number of businesses in the area contracted in 2012 compared to 2011. The majority of active businesses within the area are characterized as small. For both years over 65.0 percent of businesses reported revenues of less than \$500,000 and over 60.0 percent of businesses employ between one and four individuals.

According to data as of December 2012 from the Bureau of Labor Statistics, the average municipality unemployment rate within the assessment area was 5.4 percent. State level unemployment over the same period was approximately 7.4 percent, from which it can be derived that the area has a low level of unemployment relative to Massachusetts as a whole.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact indicated that LMI individuals in the area need increased financial education. Additionally, community banks have been helpful in the organization's efforts to provide affordable housing and mortgage credit to the LMI population. Many of the area's community banks sponsored first-time home buyer seminars planned by the organization. The contact also stated that a national bank provided a significant credit line to the organization, which increased the number of LMI families that received free transitional housing.

SCOPE OF EVALUATION

This evaluation assesses The Savings Bank's CRA performance utilizing the interagency Large Bank examination procedures, as established by the Federal Financial Institutions Examination Council. These procedures require three performance tests: the Lending Test, Investment Test, and Service Test. Although the CRA defines The Savings Bank as an Intermediate Small Bank based on asset size, the Bank collected and reported data required for Large Banks and requested to be evaluated as a Large Bank.

The Lending Test considered the Bank's home mortgage and small business lending. The Bank's most recent Report of Condition and Income ("Call Report"), dated December 31, 2012, indicated residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 67.3 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 28.9 percent of the loan portfolio. Residential lending also represented the majority of loan volume during the review period. Therefore, the Bank's performance in home mortgage lending carried greater weight in the Lending Test. The Bank made no small farm loans; thus, this product line was not analyzed.

Data reviewed includes all originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") for 2011 and 2012. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 198 loans totaling \$53.5 million in 2011 and 376 loans totaling \$101.3 million in 2012. The Bank's 2011 home mortgage lending performance was compared against 2011 aggregate lending data. Aggregate data includes the lending activity within the Bank's assessment area of all institutions subject to HMDA reporting. The evaluation focused on lending performance in 2011, as aggregate data for 2012 was not yet available.

Small business loans were also reviewed for the same period. As indicated earlier, the Bank collected and reported small business lending data as required by the CRA for Large Banks. The Bank's CRA loan registers indicated the institution originated 32 small business loans totaling \$6.3 million in 2011, and 49 small business loans totaling \$12.8 million in 2012. The registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1 million or less. The Bank's performance was compared to 2011 aggregate data, which includes all small business loans reported in the assessment area. This excludes activity of many institutions not required by the CRA to report this data.

Demographic information from both the 2000 and 2010 United States ("U.S.") Census was referenced in this evaluation. Lending data from 2011 was analyzed using 2000 U.S. Census data, while 2012 lending data was compared to 2010 U.S. Census data since information from the 2010 U.S. Census was not available until 2012. Financial data was generally obtained from the December 31, 2012 Call Report.

The Investment Test and Service Test considered the number and dollar amount of community qualified investments and community development services between July 20, 2009 and March 18, 2013. The evaluation also considered community development lending during this timeframe. The prior CRA evaluation was conducted by the Division and the FDIC as of July 20, 2009, also using large bank procedures. The evaluation resulted in an overall "Satisfactory" rating by the Division and the FDIC.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluates the Bank's record of helping to meet the credit needs of its assessment area by considering home mortgage, small business, and community development lending; small farm and consumer lending are not included in this analysis as noted in the *Scope of Evaluation* section. As previously discussed, the emphasis of the Lending Test is on home mortgages and small business loans, as these products reflect the lending focus of the Bank. The institution's lending performance is evaluated pursuant to the following criteria:

- Volume of lending activity or level of lending;
- Proportion of lending within the assessment area;
- Geographic distribution;
- Borrower profile;
- Quality and volume of community development lending; and
- Use of innovative or flexible lending practices.

The Savings Bank is rated "Satisfactory" in the Lending Test. The following sections address the Bank's performance by Lending Test component throughout the assessment area.

I. Lending Activity

The Bank's lending activity reflects an adequate responsiveness to the credit needs of the assessment area, especially considering the size of the institution, loan portfolio composition, and the significant level of competition within the assessment area. The *Lending Activity* performance factor considers the Bank's lending volume/levels through various factors as discussed below. Examiners analyzed the Bank's loan-to-deposit (LTD) ratio to help determine whether the Bank is lending to a reasonable degree in terms of reinvesting deposited funds back into the community. The average LTD ratio for the preceding 14 quarters subsequent to the July 20, 2009 CRA evaluation, is 65.7 percent. The current ratio, as of December 31, 2012 is 74.1 percent. The Bank's average LTD ratio increased since the prior evaluation.

The Bank's LTD ratio has seen a steady climb since June 30, 2011 when the ratio stood at its lowest point at 59.2 percent. Prior to this, the ratio was consistently around 66.0 percent. The Bank experienced significant loan growth over the past 14 quarters. Net loans increased by 23.2 percent from \$237.7 million as of September 30, 2009 to \$293.0 million as of December 31, 2012. Deposits for the same time period grew by 11.1 percent from \$356.0 million to \$395.4 million. Bank management indicated that the loan growth primarily resulted from strategic efforts to increase the loan portfolio.

When compared to four similarly-focused institutions in terms of loan portfolio composition, size, and geographic location, The Savings Bank's net LTD ratio during the review period was the second lowest.

Examiners reviewed the number and dollar volume of loans originated over the review period as well as market share and market ranking figures for primary loan products to determine the Bank's level of lending relative to assessment area credit needs. Again, HMDA aggregate data

for 2012 is not yet available, so 2011 performance was given increased attention during the analysis.

The Bank's overall volume of home mortgage loans increased for the two-year time period, aided by new home mortgage originations and strong refinance activity. From 2011 to 2012, the number and dollar volume of loans in the assessment area nearly doubled. Market rank reports indicate the Bank was active in making home mortgage loans relative to other community banks operating in the assessment area. The Bank's small business lending activity was relatively low over the period reviewed. The number of small business loans made in 2011 and 2012 was 32 and 49 loans, respectively.

II. Assessment Area Concentration

Overall, an adequate percentage of home mortgage and small business loans were made inside the Bank's assessment area. Using the reported HMDA and CRA data, 65.6 percent of the Bank's loans were originated inside the assessment area by number, and approximately 61.7 percent of the loans were originated inside of the assessment area by dollar volume. See Table 3 below for details.

Table 3 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$ ('000s)	%	\$ ('000s)	%	\$ ('000s)
Home Mortgage Loans										
2011										
Home Purchase	28	51.9	26	48.1	54	7,775	52.5	7,022	47.5	14,797
Refinance	90	71.4	36	28.6	126	24,077	69.1	10,771	30.9	34,848
Home Improvement	15	83.3	3	16.7	18	3,066	79.3	800	20.7	3,866
Total	133	67.2	65	32.8	198	34,918	65.3	18,593	34.7	53,511
2012										
Home Purchase	43	47.3	48	52.7	91	11,683	47.3	13,002	52.7	24,685
Refinance	199	75.7	64	24.3	263	49,825	72.6	18,765	27.4	68,590
Home Improvement	17	77.3	5	22.7	22	4,474	55.6	3,573	44.4	8,047
Total	259	68.9	117	31.1	376	65,982	65.1	35,340	34.9	101,322
Total Home Mortgage	392	68.3	182	31.7	574	100,900	65.2	53,933	34.8	154,833
Small Business Loans										
2011	18	56.3	14	43.7	32	2,538	40.1	3,790	59.9	6,328
2012	20	40.8	29	59.2	49	3,941	30.8	8,836	69.2	12,777
Total Small Business	38	46.9	43	53.1	81	6,479	33.9	12,626	66.1	19,105
Grand Total	430	65.6	225	34.4	655	107,379	61.7	66,559	38.3	173,938

Source: 2011 and 2012 HMDA LARs and CRA Loan Registers

Home Mortgage Lending

Overall, the institution extended a majority of loans by number and dollar amount inside the assessment area. More emphasis is placed on the percentage of loans by number since it has a more direct correlation to the number of borrowers served.

Table 3 also shows the concentration of loans in the assessment area by purpose. The number of loans made inside the assessment area increased during the review period. In 2012, the Bank made 259 loans for a total of \$65.9 million, nearly doubling the number and amount from 2011. Some of this increase is attributed to the Bank's stronger commitment to making loans and growing its loan portfolio. Another factor is the recent hire of a new loan originator who has been very successful at bringing business to the Bank. During the evaluation period, 68.3 percent of all HMDA-reportable loans originated by the Bank were inside the assessment area.

In terms of market share within the assessment area, The Savings Bank ranked 29th of 350 institutions reporting at least a single home mortgage origination in 2011. The top five institutions were larger regional or national banks and a nationwide mortgage company, which collectively accounted for 33.3 percent of total assessment area home mortgages. Considering the competitive lending environment and overall economic climate, the Bank's concentration of home mortgage loans in the assessment area is reasonable.

Small Business Lending

The majority of small business loans were inside the assessment area in 2011. In 2012, the majority of loans were outside the assessment area. While the number of assessment area loans remained similar, loans originated outside of the assessment area doubled from 2011 to 2012. This is attributed to the Bank's business strategy of growing its commercial loan portfolio. Over the entire period reviewed, 46.9 percent of the number and 33.9 percent of the dollar volume of all small business loans were inside the assessment area.

Within the Bank's assessment area, The Savings Bank ranked 50th of 115 lenders reporting at least one small business loan in 2011. However, it should be noted, market share reports for small business loans are only available at the county level; therefore, these reports had little weight during the analysis since they include a significant amount of lending activity outside of the assessment area.

III. Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects adequate dispersion throughout the assessment area. The focus of this performance factor is to ensure the Bank is lending throughout its assessment area, is meeting the credit needs of the moderate-income census tracts, and there are no conspicuous gaps in lending in any particular segments of the assessment area. Examiners compared the Bank's distribution of lending in census tracts of different income levels to aggregate data and demographic information, as applicable. The following sections discuss the Bank's performance by loan type.

Home Mortgage Lending

As previously indicated, the assessment area does not include any low-income census tracts; therefore, no data for low-income tracts is included in the table. Additionally, it is important to note that in 2011 the assessment area included only one moderate-income census tract. This geography had a small percentage of owner-occupied units, thereby increasing the competition for the limited amount of mortgage lending activity in that tract. Table 4 shows the distribution of the Bank's assessment area lending compared to the percentage of owner-occupied housing units and aggregate performance levels.

Table 4 – Distribution of Home Mortgage Loans by Census Tract Income Level							
Census Tract Income Level	% of Total Owner- Occupied Housing Units (2000 U.S. Census)	2011 Aggregate Lending Data (% of #)	2011 Bank		% of Total Owner- Occupied Housing Units (2010 U.S. Census)	2012 Bank	
			#	%		#	%
Moderate	0.7	0.5	0	0.0	6.5	6	2.3
Middle	67.2	60.0	85	63.9	59.2	144	55.6
Upper	32.1	39.5	48	36.1	34.3	109	42.1
Total	100.0	100.0	133	100.0	100.0	259	100.0

Source: 2000 and 2010 U.S. Census Data; 2011 and 2012 HMDA Data

As indicated in Table 4, the majority of originations in both years occurred in middle-income census tracts, followed by upper-income tracts. The Bank did not originate any loans in the area's moderate-income tract in 2011. The very low percentage of aggregate lending and owner-occupied units in this census tract mitigate the Bank's performance. Additionally, market rank reports for 2011 indicated that 30 lenders originated loans in the one moderate-income census tract. A total of only 54 loan originations were reported in this geography in 2011, which highlights the significant competition for loans in this tract.

In 2012, the Bank originated six loans within moderate-income tracts, representing an improving trend for moderate-income tract originations. However, the results for 2012 are somewhat tempered by the shift in demographic data due to the 2010 U.S. Census. The number of moderate-income tracts increased from one to five. Additionally, owner-occupied units in moderate income geographies expanded to 6.5 percent.

In 2011, the Bank made loans in 34 of the 50 tracts within the assessment area. In 2012, the Bank's performance improved, penetrating 44 out of 51 tracts. The Savings Bank originated a loan in all but one of the moderate-income tracts. Based on limited opportunities in the moderate-income tracts, the geographic distribution of home mortgage loans is adequate.

Small Business Lending

Table 5 illustrates the Bank's performance in 2011 and 2012 and the distribution of businesses as reported by *Dun & Bradstreet*. The table also includes 2011 aggregate performance for small business lending.

Table 5 – Distribution of Small Business Loans by Census Tract Income Level							
Census Tract Income Level	2011 % of Total Businesses	2011 Aggregate Lending Data	2011 Bank		2012 % of Total Businesses	2012 Bank	
			% of #	#		#	%
Moderate	0.9	0.7	1	5.6	6.7	0	0.0
Middle	63.8	63.4	15	83.3	57.0	14	70.0
Upper	35.3	35.9	2	11.1	36.3	6	30.0
Total	100.0	100.0	18	100.0	100.0	20	100.0

Source: 2011 and 2012 D&B Business Data; 2011 and 2012 CRA Loan Registers

Although the Bank made only one loan, the percentage of originations in the moderate-income census tract is higher than demographic and aggregate data in 2011. In 2012, no loans were made in moderate-income geographies, and the number of loans originated in upper-income census tracts increased.

It is important to note that the overall volume of small business lending is low since this is not the Bank's primary product. Therefore, small fluctuations in number of loans originated can result in significant changes in performance on a percentage basis. Overall, the Bank's geographic dispersion of small business loans is adequate.

IV. Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes. Home mortgage conclusions are based primarily on the Bank's performance of lending to low- and moderate-income borrowers relative to other lenders and assessment area demographics. Small business conclusions are based primarily on The Savings Bank's lending activity to businesses with gross annual revenues (GARs) of \$1 million or less, as compared to other small business lenders and business demographics. As previously mentioned, overall conclusions are impacted most by the Bank's home mortgage lending performance. The following sections discuss the Bank's performance under this criterion by loan type.

Home Mortgage Lending

The distribution of home mortgage loans reflects adequate dispersion among borrowers of different income levels, especially those of low- and moderate-income.

Table 6 illustrates the Bank's 2011 and 2012 residential loans by borrower income, along with the percentage of families and 2011 aggregate market percentages in each income category.

Table 6 – Distribution of Home Mortgage Loans by Borrower Income Level							
Income Level	% of Total Families (2000 U.S. Census)	2011 Aggregate Lending Data (% of #)	2011 Bank		% of Total Families (2010 U.S. Census)	2012 Bank	
			#	%		#	%
Low	14.2	4.4	7	5.3	14.8	24	9.3
Moderate	16.4	15.5	35	26.3	15.3	52	20.1
Middle	24.6	25.1	34	25.6	23.6	63	24.3
Upper	44.8	39.1	55	41.3	46.3	116	44.8
Income NA	0.0	15.9	2	1.5	0.0	4	1.5
Total	100.0	100.0	133	100.0	100.0	259	100.0

Source: 2000 and 2010 U.S. Census Data; 2011 and 2012 HMDA Data

The Bank's lending to low-income borrowers in 2011 exceeded the aggregate lending performance. Additionally, the Bank increased the number and percentage of loans to low-income borrowers in 2012 from 7 loans to 24 loans to low-income borrowers. The Bank's percentage in each year was below the percentage of low-income families in the assessment area, but a portion of these families have incomes too low to qualify for any type of home mortgage loan. Almost 20.0 percent of low-income families have incomes below the poverty level. Furthermore, The Savings Bank ranked 17th in lending to low-income borrowers out of all lenders that originated or purchased residential loans in the assessment area in 2011.

Table 6 also shows that the Bank's lending to moderate-income borrowers in both years exceeded the percentage of moderate-income families in the assessment area. The Bank's performance in 2011 also exceeded the aggregate's performance in lending to moderate-income borrowers. Additionally, while the percentage of loans to moderate-income borrowers decreased in 2012, the number of loans to this category of borrowers increased. Market share reports for 2011 indicated that the Bank ranked 18th in lending to moderate-income borrowers in the assessment area, which is better than The Savings Bank's overall rank in the assessment area.

Small Business Lending

The distribution of loans to businesses of different sizes is reasonable. Table 7 shows the Bank's small business loans by revenue category for 2011 and 2012. The table also includes the distribution of businesses and 2011 aggregate data by revenue category.

Table 7 – Distribution of Small Business Loans by Gross Annual Revenues (GARs)							
GAR \$(000)	2011 % of Total Businesses	2011 Bank		2011 Aggregate Lending % of #	2012 % of Total Businesses	2012 Bank	
		#	%			#	%
≤ \$1,000	69.0	11	61.1	38.6	73.2	16	80.0
> \$1,000	3.7	5	27.8	61.4*	4.8	4	20.0
Not Reported	27.3	2	11.1	-	22.0	0	0.0
Total	100.0	18	100.0	100.0	100.0	20	100.0

Source: 2011 and 2012 D&B Business Data; 2011 and 2012 CRA Loan Registers

*This percentage includes small business loans that did not report an income category

As shown in Table 7, the Bank made 61.1 percent of all 2011 small business loans by number to businesses with GARs of \$1 million or less. This is less than the percentage of all businesses in that size category; however, the Bank's small business lending exceeded the aggregate lending in 2011. Performance levels for 2012 improved, whereby the Bank's percentage of small business loans to businesses with GAR of \$1 million or less exceeded the percentage of all businesses in that size category.

VI. Community Development Lending

Community development lending by definition includes loans that have a primary purpose of community development, including affordable housing; services to low- and moderate-income individuals; and activities that promote economic development or that stabilize low- or moderate-income geographies, and have not been reported or collected by the Bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a loan for a multi-family dwelling.

The Bank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution demonstrated in community development lending.

The Savings Bank made an adequate level of community development loans during the evaluation period, demonstrating reasonable responsiveness to the community development credit needs of its designated assessment area. Between July 20, 2009 and March 18, 2013, the Bank made four community development loans totaling \$937,500 in qualified amounts. Each loan was associated with a residential real estate development in which a portion of the units are designated as affordable for LMI individuals or families.

At the prior evaluation dated July 20, 2009, the Bank made two community development loans totaling \$445,129, which represented 0.2 percent of total loans. The overall level and concentration of community development lending increased since the prior evaluation and represents 0.3 percent of total loans as of December 31, 2012. A summary of the Bank's community development lending activity is provided below.

In July 2009, the Bank made two commercial construction mortgages totaling \$1.3 million for the purpose of developing 16 residential units, of which 4 (25.0 percent) are designated as affordable housing for LMI individuals in Wilmington. The project is qualified under Chapter 40B, a Massachusetts statute which enables local zoning boards to approve affordable housing developments under flexible rules if at least 20-25 percent of the units have long-term affordability restrictions. Based on CRA-related guidance, although the percentage of affordable units does not meet the definition of primary purpose, a *pro rata* share of the loan amount may be qualified; therefore, \$331,250 qualifies for community development credit, as this represents 25.0 percent of the total loan amounts.

In August 2011, the Bank made two commercial construction mortgages totaling \$2.4 million for the purpose of developing a 40-unit townhome project, of which 10 (25.0 percent) are designated as affordable housing for LMI individuals in Lynnfield. This project is also qualified under

Chapter 40B. In accordance with the previously referenced CRA guidance, \$606,250 (*pro rata* share of 25.0 percent) is qualified as community development.

The level of community development lending is adequate based on certain mitigating factors. The Bank's size somewhat limits its ability to originate community development loans. Management indicated it explored financing several community development initiatives through participation loans, but these initiatives were ultimately financed by larger institutions that were able to extend the full loan amount without the help of other institutions. Additionally, the vast majority of The Savings Bank's loan originations are reported as HMDA or small business loans.

VII. Innovative or Flexible Lending Practices

This section of the Lending Test includes all innovative and flexible lending programs and activity between July 20, 2009, and December 31, 2012.

The Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria:

- Degree to which lending activity serves LMI borrowers or small businesses in innovative ways or assists groups of consumers not previously served by the institution; and,
- The success of each product in serving LMI borrowers or small businesses, including the number and dollar volume of loans originated during the examination period.

The Savings Bank makes use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The most success was achieved through the Bank's in-house first time home buyer (FTHB) program.

The following highlights the various innovative and flexible loan programs offered by the Bank.

First Time Home Buyer Programs

The Savings Bank offers both an in-house FTHB program and a Massachusetts Housing Partnership (MHP) sponsored FTHB program.

TSB FTHB Program – The program requires that the applicant has not owned residential property for the past three years. The Bank also limits the program to 1 - 4 family dwellings and condominiums (with certain restrictions). Features of the program include a maximum loan amount of 97 percent of purchase price, reduced closing costs (including no points and no application, appraisal or credit report fees), and PMI for any loan with a loan-to-value (LTV) of 95 percent or greater. In the last two quarters of 2009, 2010, 2011 and 2012, TSB originated 120 loans totaling \$31 million; 54.0 percent of these loans by number were originated inside the assessment area.

MHP Soft Second Program – This program was established through the Massachusetts Housing Partnership to offer LMI applicants an opportunity to qualify for FTHB financing with low down payments. Applicants are limited to 1-3 family owner-occupied dwellings (including condominiums), and must not exceed certain income and loan amount requirements. Features of the program include minimum down payments, below market interest rates for 30 years, and no PMI. The Savings Bank originated 1 loan in 2010 totaling \$143,500.

Small Dollar Loan Program

TSB Small Dollar Loan Program - This program was developed by the Bank during the last evaluation period. The program was designed as an alternative to payday lenders and other means of obtaining relatively small loans at high interest rates and targeted towards LMI individuals who are under-served or under-banked and who may have limited or no credit history. Loans are unsecured in amounts from a minimum of \$300 with a maximum of \$1,000. Terms range from 3 months to 3 years and carry an interest rate of 18 percent. There are no origination or prepayment fees and income verification is two current pay stubs. The borrowers must establish a corresponding passbook savings account to be maintained for the life of the loan with a minimum balance of 5 percent of the loan proceeds. The Bank originated 22 loans totaling \$19,100 under this program during the evaluation period. This program was previously highlighted in correspondence from the FDIC as putting the Bank in the forefront of servicing the needs of the community of Lawrence even though the Bank does not maintain an office in the City.

Residential Loan Programs

In addition to its standard residential mortgage programs, The Savings Bank also offers the following MHFA loan programs.

Home for the Brave – The Bank recently began offering this low down payment mortgage program through a partnership with MassHousing, for veterans of the US Armed Services living in Massachusetts. Features of the program include reduced closing costs, up to 100 percent financing for single family homes, and funds for accessibility improvements through the Veterans Administration. Additionally, the program offers a mortgage insurance feature in case of unemployment. The Savings Bank originated 6 loans totaling \$1.1 million.

MassHousing Loans – The Savings Bank works in concert with MassHousing to provide reduced rate financing to LMI families. The Savings Bank originated 6 loans totaling \$1.6 million.

TSB City/Town Employee Program – This program offers several mortgage products to city and town employees within the Bank's assessment area. Benefits of the program include waiving of appraisal, credit report, attorney and recording fees on various products as well as .25 percent rate reduction on fixed-rate equity loans. The Bank originated 6 loans totaling \$6.6 million since the previous evaluation.

Commercial Lending

The Bank participates in the following programs to meet the credit needs of businesses in the assessment area.

SBA 504 Program – The Savings Bank participates in the SBA 504 Certified Development Corporation (CDC) program. The 504 CDC Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. The 504 CDC Program provides for direct financing by the SBA of a portion of small business loans. The general loan structure involves 10 percent participation by the small business, 40 percent participation by a CDC and 50 percent participation by a bank. During the evaluation period The Savings Bank originated one loan under this program totaling \$642,000.

Massachusetts Capital Access Program – The Savings Bank participates in the Massachusetts Capital Access Program (MASSCAP). MASSCAP is designed to help small businesses (with less than \$5 million in revenues) throughout Massachusetts obtain loans from participating banks. Using cash collateral guarantees from a loan loss reserve fund, this program enables banks to make loans they might otherwise be unable to grant. During the evaluation period The Savings Bank originated 9 loans under this program totaling \$953,050.

The Small Business Banking Partnership – This is a new initiative that will shift at least \$100 million in state deposits under the control of the Treasurer to qualifying Massachusetts banks to promote small business loans. The partnership aims to move money into smaller regional, community, and local banks that have been at the forefront of providing capital to creditworthy small businesses to help them expand and create new jobs. In accepting state funds, banks must commit to using the funds to increase their loans to creditworthy small businesses as defined in Section 57 of chapter 23A of the General Laws of the Commonwealth. Alternatively, banks may define a commercial loan of \$500,000 or less as a small business loan. The Bank made three loans under this program. In 2011, it originated two loans totaling \$362,000 and in 2012 it made one loan in the amount of \$100,000. All of the loans originated by the Bank in this program were in either low- or moderate-income census tracts.

INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include those that either: 1) provide affordable housing for low- or moderate- income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; 4) revitalize or stabilize low- or moderate-income geographies; or 5) support, enable or facilitate eligible projects or activities in accordance with the Neighborhood Stabilization Plan. Activities considered under the Lending or Service Test may not be considered under the Investment Test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA examination as well as those made in prior periods and still held by the institution.

The institution's Investment Test performance is "Satisfactory." The level and complexity of qualified investments are adequate considering the bank's size and resources. The Bank's qualified investments have community development purposes that benefit communities throughout the entire assessment area. The Bank also provided qualified investments in communities with a significant

LMI population just outside the assessment area, but within the broader regional area served by The Savings Bank.

Qualified Investments

The amount of the Bank's total qualified investments, commitments and grants is \$669,944. This total includes \$500,000 in existing investments and \$169,944 in qualified grants and donations. The Bank did not invest in any new equity investments since the last evaluation. The volume of investments demonstrates the Bank's commitment to investing in community development initiatives.

Existing Investments

The Bank invested \$500,000 in the CRA Qualified Investment Fund managed by Community Capital Management (CCM). The mutual fund's objective is to provide a high level of current income consistent with the preservation of capital, and to provide investments that are deemed to be qualified under the Community Reinvestment Act. CCM seeks to allocate investments from the Bank within its assessment area. Fund investments have financed the creation of affordable rental housing units, home mortgages, down payment assistance, job training and job creation programs, and neighborhood revitalization. Investments are allocated to municipal bonds, GNMA and FNMA loan pools, and FHA programs. The Bank's shares in the CRA Qualified Investment Fund have a book value of \$500,000 as of December 31, 2012.

Charitable Contributions

The majority of the Bank's qualified donations are distributed directly by the Bank, while some are made through the TSB Charitable Foundation, Inc. and Donald E. Garrant Foundation, Inc. Details of the donations made through each of these channels are provided below.

Bank Donations

The Bank directly donated approximately \$360,602 to charitable organizations from the previous evaluation through December 31, 2012. Of this total, \$98,403 (27.3 percent) is qualified for CRA purposes. All qualified grants and donations benefitted the Bank's assessment area or the broader statewide or regional area including the Bank's assessment area. On an annual basis, the breakdown of qualified donations is as follows: \$8,605 in 2009 (from July 20 through December 31); \$28,705 in 2010; \$26,950 in 2011; and \$34,143 in 2012.

A significant portion of qualified donations benefitted Lawrence, Massachusetts. This community is contiguous to the assessment area and primarily comprises LMI geographies. There are many community development needs and opportunities within Lawrence. The Bank received favorable consideration for all qualified donations benefitting Lawrence since it is within the regional area that includes the Bank's assessment area. The following is a sample of organizations supported by the Bank.

Mystic Valley Elder Services – This non-profit organization provides numerous services to low-income elders in North Reading, Reading, Wakefield, Stoneham, Melrose, Medford, Malden, and Everett. One of its main functions is administering the Massachusetts Money Management Program free of charge to needy elders who are at risk of losing their independence due to an inability to manage their own finances.

Money Management International (MMI) of Massachusetts – MMI is the nation’s largest non-profit credit counseling service. It provides free credit counseling and financial education to consumers facing financial challenges. Their services include budget and debt counseling, foreclosure prevention, and financial workshops. The organization primarily assists clients who are unemployed or underemployed.

Lazarus House – Lazarus House is a non-profit organization with the mission to provide food, shelter, clothing, medical care, dental care, and job training to the poor and needy within Lawrence and its surrounding communities, including communities within the Bank’s assessment area.

Methuen Arlington Neighborhood, Inc. (M.A.N.) – M.A.N. is a non-profit community development corporation formed by residents of the Methuen Arlington Neighborhood to increase and enhance small business opportunities, neighborhood investment, and self-sufficiency of LMI residents. The Methuen Arlington Neighborhood is a densely populated, LMI area of Methuen in which residents suffer from poverty, a lack of employment opportunities, and social ills.

Merrimack Valley YMCA – The YMCA has traditionally been a leading provider of programs and services for LMI families. The Bank’s donations to the Merrimack Valley YMCA Reach Out for Youth program provides financial assistance to LMI individuals in order to participate in YMCA programming. The majority of these funds are used in Methuen and Lawrence.

In addition to these qualified organizations, it is acknowledged that the Bank also devotes significant resources to the elderly, youth, and disabled community of its assessment area. While some of these programs may not meet the CRA definition of community development, The Savings Bank is nonetheless providing benefits to its community.

TSB Charitable Foundation

The TSB Charitable Foundation was established in 1997 by The Savings Bank to provide funding to support non-profit organizations that serve residents of Wakefield, Lynnfield, Andover, Methuen, North Reading and surrounding cities and towns. Organizations seeking money must be Massachusetts charitable corporations tax-exempt under Section 501(c)(3) of the Internal Revenue Service Code, and they must submit formal grant applications. The primary focus of the Foundation is to provide funding for program expansion, evaluation, renovations, new construction projects, and capital funding, to organizations predominantly devoted to homeless shelters, serving the poor, family services, and serving the elderly.

The amounts granted annually through the Foundation during the review period are as follows: \$6,000 in 2009 (July 20 through December 31); \$24,875 in 2010; \$22,663 in 2011; and \$21,453 in 2012, for a total of \$74,991. The vast majority of the donations are considered qualified for CRA, as they were granted to organizations whose overall mission meets the definition of community development or the money was targeted to specific programs that have community development purposes. The amounts that are qualified for CRA are \$4,000 in 2009; \$21,875 in 2010; \$20,163 in 2011; and \$18,953 in 2012, with a total of \$64,991. The total amount of qualified donations represents 86.7 percent of total donations made by the Foundation during the same period. The following provides a representative sample of qualified donations made by the Foundation during the evaluation period.

Mission of Deeds – This is a non-profit agency located in Reading, with a mission of distributing beds, furniture, and other household items in good condition to LMI families and individuals living in Middlesex and Essex counties. More than half of the families who receive assistance are mothers and their children, many of whom have lived at shelters for the homeless and battered women.

Community Service Network (CSN) – The mission of CSN is to help LMI clients access the knowledge, skills, and services that promote independence and self-sufficiency. CSN also provides assistance to over 1,000 clients as part of its transitional housing program.

Gathering Change, Inc. – This charitable organization collects spare change from homes, schools, faith communities, and businesses within its service area. The funds are distributed back to local food pantries and social programs. The organization serves numerous communities across Middlesex and Worcester counties.

Donald E. Garrant Foundation, Inc. (DGFI)

The Bank established the Donald E. Garrant Foundation, Inc. in 2001 in memory of Don Garrant, former President and Chief Executive Officer of The Savings Bank. The DGFI provides financial support to financial literacy programs in public and private schools as well as to eligible non-profit organization projects. Educational efforts are focused on saving, investing, credit, insurance, money, and economics.

One award issued by the DGFI qualified as a community development investment. Of \$32,897 total awards issued during the review period, \$6,600 (20.1 percent) qualified as community development. The award was given to a community development corporation in Lawrence, MA that provides affordable housing.

SERVICE TEST

The institution's Service Test performance is rated "High Satisfactory." The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The Savings Bank is doing a good job of meeting both the retail banking and community development service needs of the assessment area. The Bank's branches, all with 24-hour ATM locations, are located throughout the assessment area and are easily accessible and convenient to low- and moderate-income residents and the area's five moderate-income census tracts. Generally, the services and products offered are comparable to local or similarly sized competitors. In meeting community development service needs, several Bank officers are actively involved with local area community organizations. The following summarizes the Bank's retail and community development services.

Retail Banking Services

The institution's retail banking services are evaluated pursuant to the following criteria:

- 1) the distribution of the institution's branches among geographies of different income levels;
- 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals;
- 3) the availability and effectiveness of alternate systems for delivering retail banking services; and the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The Bank's retail services are considered good, accessible to all customers including LMI individuals and residents of the moderate-income geographies of the assessment area. Bank services include various deposit products; residential and commercial loan products; and retirement planning products. The Savings Bank also provides asset management and insurance services through its wholly-owned subsidiaries First Financial Trust, NA and TSB Insurance Services, Inc. and continues its affiliation with TSB Securities Group to provide additional financial services and investment products to its customer base.

Accessibility of Delivery Systems

The Bank's delivery systems are accessible to all portions of the assessment area.

Distribution of Branches

The Savings Bank operates eight full service branches. A review of the Bank's current branch network revealed that of the eight branches, four are located in middle-income geographies and four are located in upper-income geographies. All branches offer the institution's complete line of loan products. Additionally, the Bank retains one limited-service branch located within Wakefield High School, in a middle-income census tract. While there are no branches located in moderate-income census tracts, the Bank does have a branch located in the town where the majority of moderate-income census tracts are located.

Alternative Delivery Systems

In addition to the established branch network, The Savings Bank also provides a variety of alternative delivery systems. These alternatives allow consumers easier access to the Bank's various retail services, and include:

Automated Teller Machines (ATMs) – Bank ATMs are located at each of the branch offices providing 24-hour account access. In addition to ATMs located at branch locations, The Savings Bank also has three stand-alone ATMs on Tuttle Street, Main Street, and Broadway in Wakefield. All ATMs accept deposits. The Savings Bank is also a member of the SUM ATM Network. As a result of its involvement in the SUM program, The Savings Bank's customers can avoid ATM surcharges at other participating ATMs.

Online Banking – Customers can obtain general bank information as well as view balances, account activity, and account statements; transfer funds; make loan payments; and request stop payments. In addition, the Bank also offers a bill payment services. The Bank’s website is located at www.tsbawake24.com.

TSB Mobile Banking – Customers are provided free online banking capabilities, including account transfers, bill payment, and the ability to check balances. Mobile banking is accessible from any cell phone, through SMS text, a specialized mobile web browser, or a smartphone application.

Debit Cards - The Savings Bank offers the MasterMoney Card. It allows cardholders to pay for purchases at merchant locations that accept MasterCard and have the funds deducted directly from their checking account at no charge.

Of the eight full-service branches, four have drive-up windows. At each of these locations, the drive-up feature is opened prior to the normal branch hours. In addition, The Savings Bank also offers safe deposit boxes and night depositories.

Changes in Branch Locations

The Bank did not make any changes to its branch network. The Bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems to moderate-income geographies or to low- or moderate-income individuals in its assessment area.

Reasonableness of Hours / Services

Overall, business hours do not vary in a way that inconveniences portions of the assessment area, particularly LMI individuals. Branch hours are generally considered convenient and are comparable to other local financial institutions while providing some late evening and Saturday hours. ATM, Mobile, and computer accessibility remain available 24-hours a day.

Community Development Services

The institution's community development services are evaluated pursuant to the following criteria:

- 1) the extent of community development services offered and used;
- 2) the innovativeness of community development services, including whether they serve LMI customers in new ways or serve groups of customers not previously served;
- 3) the degree to which they serve LMI areas or individuals; and
- 4) the responsiveness to available opportunities for community development services.

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial expertise. The Bank provided a relatively high level of community development services during the evaluation period.

Director and Officer Involvement

The Bank devotes time and resources to assisting with community development initiatives within its assessment area by having representatives serve in leadership roles in community-based organizations. The following are examples of the organizations in which Bank officers are involved.

Massachusetts Growth Capital Corporation – The mission of this program is to support small, woman or minority-owned businesses that are struggling to obtain financing to traditional sources. In addition to financing, the Mass Growth Capital Corporation provides technical assistance to small businesses. The Senior Vice President of Business Banking is the Director of the Organization.

Wakefield Senior Housing Corporation – The organization provides housing-related services to the low- and moderate-income elders of Wakefield. The Bank's CRA officer serves as a Board Member of this organization.

Community Services Network (CSN) – The mission of CSN is to help LMI clients access the knowledge, skills, and services that promote independence and self-sufficiency. CSN also provides assistance to over 1,000 clients as part of its transitional housing program. A Bank vice president sits on the Board of this organization.

Mystic Valley Elder Services Money Management Program – This program assists low- and moderate-income elders with daily money management services. The program assists senior citizens in Everett, Malden, Medford, Melrose, North Reading, Reading, and Stoneham. Both the Bank's CRA Officer and a Branch Manager sit on the Board of this organization.

Financial Literacy Trust Fund Board – The Board, established by the Massachusetts State Treasurer, is a public and private effort to support organizations that have displayed success advancing financial education skills and empowerment. Financial education skills are vital as residents navigate increasingly complex financial decisions and products. The President and CEO serves as treasurer of the Board.

Merrimack Valley Chamber of Commerce, Women in Business Network – The organization is dedicated to assisting women in business, by developing opportunities and initiatives through establishing a network of entrepreneurial resources; including educational, financial and mentoring assistance. The Senior Vice President of the Bank acts as a resource within this network.

Educational Seminars

The Savings Bank has conducted and participated in seminars designed to educate consumers about banking and products available to meet their specific needs. See the table below:

Table 8 - Community Development Seminars				
Activity Year	Qualifying Category			Totals
	Affordable Housing	Community Services*	Economic Development	
	#	#	#	
07/20/2009 – 12/31/2009	1	1	0	2
2010	1	5	1	7
2011	1	6	0	7
2012	3	3	0	6
Total	6	15	1	22

Source: Bank Records

*Targeted to Low- or Moderate-Income Individuals

Several examples of the Bank's educational involvement in community development services are listed below:

Community Service Network First Time Home Buyers Seminar – In conjunction with the Community Service Network, The Savings Bank conducted a 4-part Homebuyer Counseling Seminar in 2010 and 2012. The Bank hosted the seminar at its main branch and also provided a meal for attendees. The topics covered included budgeting and managing credit in preparation for buying a home, selecting the type of home that is both affordable and meets individual needs, obtaining a mortgage, home inspection, and tips for successful homeownership.

FDIC Small Dollar Loan Program – The Bank participated in an informational forum on Small Dollar Loans in October 2010 for various non-profit and community groups in Merrimack Valley to explain The Savings Bank's participation in the FDIC's pilot program. The Savings Bank was one of only two Massachusetts banks to volunteer for the program.

In addition to the FTHB classes conducted in partnership with community organizations and with a specific focus on community development, the Bank has also held multiple classes each year at different branches for all first-time home buyers.

Other Services

Children Learning to Understand Banking (CLUB) – The Bank's CLUB account for young savers provides educational materials for younger children and introduces basic financial and banking concepts. Classroom programs have occurred in Wakefield, Stoneham, and Melrose (a total of 8 schools) representing 110 individual classrooms and 1,415 student members. Deposits through the CLUB program currently total \$1.6 million.

Massachusetts Community Banking Council's (MCBC) Basic Banking Program – The Savings Bank voluntarily participates in the MCBC Basic Banking program. In order to qualify, The Savings Bank offers a non-interest bearing basic checking account that particularly benefits low- and moderate-income individuals. The account features include no monthly service charges, no

per-check fees, and no minimum balance requirements. The account also offers a free MasterMoney ATM card.

High School Branch – As mentioned above, The Savings Bank established a bank branch at Wakefield High School. The branch is operated by students to both provide banking services and act in an educational capacity and was the first of its kind in the U.S.

APPENDIX A

Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

FAIR LENDING REVIEW

The Savings Bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as staff training, fair lending procedures, a loan application, and an evaluation process, as well as applicable rules and regulations regarding the Fair Housing Act, Equal Credit Opportunity Act, the Consumer Protection Act, and the Community Reinvestment Act.

All employees are provided with training appropriate to their job descriptions and their responsibilities in fair lending issues.

All loan applications that are slated for denial by the loan officer or underwriter undergo a second review.

No violations of the substantive provisions of the Equal Credit Opportunity Act or related laws and regulations were identified during the examination.

MINORITY APPLICATION FLOW

The purpose of the minority application flow is to assess the HMDA-reportable applications the Bank received from minorities within their delineated assessment area. The data analyzed was obtained from the Bank's HMDA/LAR for 2011 and 2012. In addition, the 2011 HMDA/LAR aggregate data was analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area. The Bank's minority application flow for this period was also compared with the racial and ethnic composition of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

The assessment area has a total population of 262,983. Of the total population, 12.6 percent are minority: 5.52 percent is Hispanic, 1.39 percent is Other Race, 4.22 percent are Asian/Pacific Islanders, 1.37 percent are Black, and 0.08 percent are American Indian/Alaskan Native.

MINORITY APPLICATION FLOW								
RACE	Bank 2011		2011 Aggregate Data		Bank 2012		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	34	0.2	1	0.3	1	0.2
<i>Asian</i>	5	3.4	958	4.5	2	0.7	7	1.6
<i>Black/ African American</i>	0	0.0	139	0.6	0	0.0	0	0.0
<i>Hawaiian/Pac Isl.</i>	0	0.0	18	0.1	1	0.3	1	0.2
<i>2 or more Minority</i>	0	0.0	4	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	0	0.0	204	0.9	3	1.0	3	0.7
Total Minority	5	3.4	1,357	6.3	7	2.3	12	2.7
<i>White</i>	140	96.6	14,563	67.7	283	96.3	423	96.4
<i>Race Not Available</i>	0	0.0	5,592	26.0	4	1.4	4	0.9
Total	145	100.0	21,512	100.0	294	100.0	439	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	0	0.0	390	1.8	1	0.3	1	0.2
<i>Not Hispanic or Latino</i>	142	97.9	15,344	71.3	285	97.0	427	97.3
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	3	2.1	168	0.8	2	0.7	5	1.1
<i>Ethnicity Not Available</i>	0	0.0	5,610	26.1	6	2.0	6	1.4
Total	145	100.0	21,512	100.0	294	100.0	439	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

As displayed, the Bank's percentage (3.4 percent) of applications received from racial minorities was below that received (6.3 percent) by the aggregate; however, for ethnic minorities was the Bank exceeded aggregate (Bank-2.1 percent, Aggregate-0.8 percent) in 2011. In addition, the Bank's applications from both racial and ethnic minorities were lower in 2012 than in 2011.

APPENDIX B

GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The US Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent US Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C

INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the US Department of the Treasury and the Internal Revenue Service. The US Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX D

Standard PE Language

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 357 Main Street, Wakefield, MA 01880."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.